



## I.B.E.W Local 56 Federal Credit Union

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February 16, 2011

Federal Reserve:

The IBEW Local #56 Federal Credit Union is a small SEG based credit union with 1,740 members and about \$8 million in assets. We are very concerned that all of the new financial regulations will make it extremely difficult for small credit unions and small community banks to compete with the large financial institutions. Between trying to keep on top of the ever changing compliance issues that are constantly burdening us and the economy threatening our bottom line, it is a challenge for credit unions are size to compete and stay in business. Along with these issues, we now have to worry about the proposed regulations that will affect debit card interchange fees and routing.

Small financial institutions need to be protected from lower interchange fees in order to remain competitive and to survive. My credit union is concerned that the proposed regulation does not include provisions to enforce the small issuer exemption. We hope that the Federal Reserve will use its authority to reinforce the small issuer exemption and ensure that it works as Congress intended. We are also concerned about the two-tiered structure for debit interchange rates. If it is not implemented properly, it will be a disadvantage to small issuers.

We would encourage the Federal Reserve to adopt routing "Alternative A" which would require issuers to provide debit cards that can be used over two unaffiliated networks, such as a PIN-based network and an unaffiliated signature-based network. Requiring more than two networks is inconsistent with statutory requirements and would place an unreasonable regulatory burden on our credit union, as well as other small financial institutions, that could negatively impact service to our members.

At this time, it is reasonable to presume that interchange fees will be lower than the cost of providing payment services which in turn will cause an increase in fees to consumers. Therefore, we believe all costs of operating a debit interchange system including fraud prevention costs must be considered when implementing the new rate structure.

Thank you for taking the time to review the concerns of the IBEW Local #56 FCU.

Sincerely,

Charlene M. Hedderick, Manager